

BENTLEY COMMUNITY SCHOOLS

BURTON, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 11, 2006

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bentley Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Bentley Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bentley Community Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated October 11, 2006 on our consideration of the Bentley Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - VIII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bentley Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-I-

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Bentley Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP), according to GASB 34, requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

District Wide Financial Statements: (Continued)

These two statements report the Bentley Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2006 and 2005:

	<u>NET ASSETS SUMMARY</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$3,768,457	\$6,181,976
Non-Current Assets	<u>5,529,189</u>	<u>2,623,982</u>
<u>TOTAL ASSETS</u>	<u>\$9,297,646</u>	<u>\$8,805,958</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,436,630	\$2,140,380
Long-Term Liabilities	<u>5,175,121</u>	<u>4,700,780</u>
Total Liabilities	<u>\$7,611,751</u>	<u>\$6,841,160</u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	727,423	1,321,246
Restricted - Debt Retirement	180,549	117,534
Restricted - Capital Projects	112,556	146,796
Unrestricted	<u>665,367</u>	<u>379,222</u>
Total Net Assets	<u>\$1,685,895</u>	<u>\$1,964,798</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$9,297,646</u>	<u>\$8,805,958</u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2006 and 2005, the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,012,447	\$936,555
Property Taxes Levied for Debt Retirement	274,951	280,329
State of Michigan Unrestricted Foundation Aid	5,587,275	5,816,183
Other General Revenues	<u>297,756</u>	<u>209,795</u>
Total General Revenues	\$7,172,429	\$7,242,862
<u>Operating Grants:</u>		
Federal	511,725	543,217
State of Michigan	538,234	437,784
Other Operating Grants	<u>16,007</u>	<u>65,112</u>
Total Operating Grants	\$1,065,966	\$1,046,113
<u>Charges for Services:</u>		
Food Service	155,300	165,349
Athletics	40,052	30,729
Other Charges for Services	<u>130,278</u>	<u>248,457</u>
Total Charges for Services	\$325,630	\$444,535
Total Revenues	\$8,564,025	\$8,733,510
<u>EXPENSES</u>		
Instruction & Instructional Support	4,947,157	5,149,935
Support Services	2,973,074	2,800,500
Food Service	354,223	356,734
Athletics	274,331	259,555
Interest on Long-Term Debt	203,310	146,882
Depreciation	<u>90,833</u>	<u>90,833</u>
Total Expenses	\$8,842,928	\$8,804,439
<u>(DECREASE) IN NET ASSETS</u>	(\$278,903)	(\$70,929)
<u>BEGINNING NET ASSETS</u>	<u>1,964,798</u>	<u>2,035,727</u>
<u>ENDING NET ASSETS</u>	<u><u>\$1,685,895</u></u>	<u><u>\$1,964,798</u></u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2006, the District's Total Net Assets decreased by \$278,903 to a total of \$1,685,895. The largest portion of the net assets is the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$593,823 during the year due to depreciation and issuance of bonds exceeding purchases of new capital assets and principal payments on related debt. The District's Unrestricted Net Assets increased by \$286,145 during the year and the restricted portion of the net assets increased by \$28,775. The restricted Net Assets consist of the restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students. The significant change in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The district's overall expenses exceeded its revenues for the year by \$278,903. The total revenues decreased by \$169,485 over last years amounts due to decreases in state aid. Expenses increased by \$38,489 as a result of a prior period adjustment.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved general fund balance decreased by \$166,229 during the year with the decrease coming primarily in cash. Revenues decreased by \$195,474, due primarily to a reduction in state aid due to a decline in the number of students. Expenditures and other financing uses decreased by \$71,871, primarily due to reductions in personnel. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Bentley Community Schools foundation allowance was \$7,182 per student for the 2005-2006 school year.

3. Student Enrollment:

The District's student enrollment for the blended count of 2005-2006 was 943 students, a decrease of 42 students from the prior year.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.7917 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$980,704. An increase of \$44,149 from the prior year.

2004 Capital Projects Fund

The District's capital projects fund balance decreased by \$2,984,120. The primary source of revenue was interest revenue. Expenditures, which are restricted for construction projects, were \$3,023,914 for the year.

2006 Capital Projects Fund

The District's capital projects fund balance increased by \$555,234. The primary source of revenue was bond proceeds.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

Fiscal Year	Original Budget	Final Budget	Actual	Variance	Variance Actual & Final Budget %
				Original & Final Budget %	
Revenue	\$7,482,342	\$7,642,649	\$7,851,921	2.14%	2.74
Expenditures	7,481,832	7,684,604	8,018,150	2.71%	4.34
<u>TOTAL</u>	<u>\$510</u>	<u>(\$41,955)</u>	<u>(\$166,229)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Bentley Community Schools amends its budget during the school year. The June, 2006 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

The significant variations between original and final budgets were due to additional grants.

Expenditures

The significant variations between original and final budgets were due to expenses due to additional grants.

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budgets

Revenues

The significant variations between final budgets and actual results were due to increased local revenues, primarily property taxes collected.

Expenditures

The significant variations between final budgets and actual are a result of employee salary and benefit adjustments and adjustments to state and federal grant expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-05	Additions	Deductions	Principal Balance 6-30-06
General Obligation Bonds	\$4,733,179	\$570,000	\$55,090	\$5,248,089
Retirement Incentive	0	150,000	50,000	100,000
Compensated Absences	22,691	0	91	22,600
<u>Total Long-Term Debt</u>	<u>\$4,755,870</u>	<u>\$720,000</u>	<u>\$105,181</u>	<u>\$5,370,689</u>

Bentley Community Schools has issued School Bus Bonds dated June 28, 2006 in the amount of \$570,000

Bentley Community Schools issued a retirement incentive plan in the amount of \$150,000.

B. Capital Assets

The district's net investment in capital assets decreased by \$118,707 during the 2005-06 fiscal year. This can be summarized as follows:

	Balance 7-1-05	Additions	Deductions	Balance 6-30-06
Capital Assets	\$6,225,756	\$0	\$0	\$6,225,756
Less: Accumulated Depreciation	(4,807,940)	(118,707)	0	(4,926,647)
<u>Net Investment Capital Outlay</u>	<u>\$1,417,816</u>	<u>(\$118,707)</u>	<u>\$0</u>	<u>\$1,299,109</u>

BENTLEY COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,412 per pupil for the 2006-07 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to increase to 17.74% in 2006-07 from 16.34% in 2005-06. It is forecast, based on actuarial assumptions that these types of increases will occur until 2012, when the largest bulk of the current "baby boomer" generation enters retirement.

* The Bentley Community Schools 2006/2007 adopted budget is as follows:

<u>REVENUE</u>	\$7,629,312
<u>EXPENDITURES</u>	<u>7,627,163</u>
<u>NET OVER BUDGET</u>	<u><u>\$2,149</u></u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Bentley Community Schools.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$2,412,509
Investments	4,850
Accounts Receivable	24,342
Due from Other Governmental Units	1,236,201
Inventory	3,876
Prepaid Expenses	86,679
Total Current Assets	<u>\$3,768,457</u>
<u>NON-CURRENT ASSETS</u>	
Construction in Progress	4,230,080
Capital Assets	6,225,756
Less: Accumulated Depreciation	(4,926,647)
Total Noncurrent Assets	<u>\$5,529,189</u>
<u>TOTAL ASSETS</u>	<u>\$9,297,646</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	250,723
State Aid Anticipation Note Payable	1,450,000
Accrued Expenses	513,256
Salaries Payable	27,083
Current Portion of Long-Term Obligations	195,568
Total Current Liabilities	<u>\$2,436,630</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>5,175,121</u>
<u>TOTAL LIABILITIES</u>	<u>\$7,611,751</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	727,423
Restricted for:	
Debt Retirement	180,549
Capital Projects	112,556
Unrestricted	665,367
<u>TOTAL NET ASSETS</u>	<u><u>\$1,685,895</u></u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$4,947,157	\$0	\$845,693	(\$4,101,464)
Support Services	2,973,074	130,278	51,492	(2,791,304)
Food Service	354,223	155,300	168,781	(30,142)
Athletics	274,331	40,052	0	(234,279)
Interest - Long-Term Obligations	203,310	0	0	(203,310)
Depreciation - Unallocated	90,833	0	0	(90,833)
<u>TOTALS</u>	<u>\$8,842,928</u>	<u>\$325,630</u>	<u>\$1,065,966</u>	<u>(\$7,451,332)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,287,398
State Aid				5,587,275
Grants and Contributions Not Restricted to				
Specific Programs				46,830
Investment Earnings				78,023
Miscellaneous				172,903
Total General Revenues and Transfers				<u>\$7,172,429</u>
Change in Net Assets				(\$278,903)
Net Assets - Beginning				<u>1,964,798</u>
<u>Net Assets - Ending</u>				<u>\$1,685,895</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2006

	General Fund	2004 Capital Project Fund	2006 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$1,080,944	\$487,551	\$561,349	\$282,665	\$2,412,509
Investments	4,850	0	0	0	4,850
Accounts Receivable	24,117	0	0	225	24,342
Due from Other Funds	0	0	0	14,683	14,683
Due from Other Governmental Units	1,233,926	0	0	2,275	1,236,201
Inventory	0	0	0	3,876	3,876
Prepaid Expenses	82,344	0	0	4,335	86,679
<u>TOTAL ASSETS</u>	<u>\$2,426,181</u>	<u>\$487,551</u>	<u>\$561,349</u>	<u>\$308,059</u>	<u>\$3,783,140</u>
<u>LIABILITIES</u>					
Accounts Payable	\$201,685	\$28,718	\$6,115	\$14,205	\$250,723
State Aid Anticipation Note Payable	1,450,000	0	0	0	1,450,000
Due to Other Funds	2,173	12,510	0	0	14,683
Accrued Expenses	477,527	0	0	145	477,672
Salaries Payable	26,479	0	0	604	27,083
Total Liabilities	\$2,157,864	\$41,228	\$6,115	\$14,954	\$2,220,161
<u>FUND BALANCES</u>					
Reserved For:					
Debt Retirement	0	0	0	180,549	180,549
Capital Projects	0	446,323	555,234	112,556	1,114,113
Unreserved:					
Undesignated, Reported In:					
General Fund	268,317	0	0	0	268,317
Total Fund Balances	<u>\$268,317</u>	<u>\$446,323</u>	<u>\$555,234</u>	<u>\$293,105</u>	<u>\$1,562,979</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,426,181</u>	<u>\$487,551</u>	<u>\$561,349</u>	<u>\$308,059</u>	<u>\$3,783,140</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2006

Total Governmental Fund Balances:		\$1,562,979
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$6,225,756 and the accumulated depreciation is \$4,926,647		1,299,109
Construction in Progress		4,230,080
Accrued Interest on Long-Term Debt		(35,584)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$5,248,089	
Retirement Incentive	100,000	
Compensated Absences	22,600	
Total Long-Term Liabilities		<u>(5,370,689)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>\$1,685,895</u>

BENTLEY COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	2004 Capital Project Fund	2006 Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Local Sources	\$1,212,556	\$42,886	\$1,731	\$484,067	\$1,741,240
State Sources	6,085,836	0	0	39,673	6,125,509
Federal Sources	367,978	0	0	143,747	511,725
Total Revenues	<u>\$7,666,370</u>	<u>\$42,886</u>	<u>\$1,731</u>	<u>\$667,487</u>	<u>\$8,378,474</u>
<u>EXPENDITURES</u>					
Current:					
Instruction	4,842,426	0	0	0	4,842,426
Student Services	555,120	0	0	0	555,120
Instructional Support	84,146	0	0	0	84,146
General Administration	274,430	0	0	0	274,430
School Administration	642,440	0	0	0	642,440
Business Administration	167,400	0	0	0	167,400
Operation & Maintenance of Plant	665,091	0	0	0	665,091
Transportation	328,816	0	0	0	328,816
Support Services - Other	73,617	0	0	0	73,617
Food Service and Athletics	0	0	0	620,877	620,877
Debt Retirement	0	0	0	255,449	255,449
Capital Outlay	0	3,023,914	0	3,137	3,027,051
Total Expenditures	<u>\$7,633,486</u>	<u>\$3,023,914</u>	<u>\$0</u>	<u>\$879,463</u>	<u>\$11,536,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$32,884	(\$2,981,028)	\$1,731	(\$211,976)	(\$3,158,389)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers from (to) Other Funds	(244,994)	0	0	244,994	0
Bond Proceeds	0	0	570,000	0	570,000
Bond Issuance Costs	0	0	(16,497)	0	(16,497)
Other Transfers	45,881	(3,092)	0	(4,243)	38,546
Total Other Financing Sources (Uses)	<u>(\$199,113)</u>	<u>(\$3,092)</u>	<u>\$553,503</u>	<u>\$240,751</u>	<u>\$592,049</u>
Net Change in Fund Balance	<u>(\$166,229)</u>	<u>(\$2,984,120)</u>	<u>\$555,234</u>	<u>\$28,775</u>	<u>(\$2,566,340)</u>
<u>FUND BALANCE - BEGINNING</u>	<u>434,546</u>	<u>3,430,443</u>	<u>0</u>	<u>264,330</u>	<u>4,129,319</u>
<u>FUND BALANCE - ENDING</u>	<u>\$268,317</u>	<u>\$446,323</u>	<u>\$555,234</u>	<u>\$293,105</u>	<u>\$1,562,979</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Total net change in fund balances - governmental funds	(\$2,566,340)
--	---------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(118,707)
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Construction in Progress	3,023,914
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Issuance of Retirement Incentive	(150,000)
----------------------------------	-----------

Bond Proceeds	(570,000)
---------------	-----------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	105,090
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Change in accrued interest on long-term liabilities	(2,951)
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Decrease in accrued compensated absences	<u>91</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$278,903)</u></u>
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BENTLEY COMMUNITY SCHOOLS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2006

	Trust & Agency	Private Purpose Trusts		Total
		Non- Expendable	Expendable	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$150,597	\$116,148	\$5,681	\$272,426
<u>TOTAL ASSETS</u>	\$150,597	\$116,148	\$5,681	\$272,426
<u>LIABILITIES</u>				
Due to Student Groups	150,597	0	0	150,597
<u>NET ASSETS - HELD IN TRUST FOR OTHERS</u>	<u>\$0</u>	<u>\$116,148</u>	<u>\$5,681</u>	<u>\$121,829</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trusts</u>		
	<u>Non-</u>	<u>Expendable</u>	<u>Total</u>
<u>REVENUE</u>	<u>Expendable</u>	<u>Expendable</u>	
Interest	\$7,513	\$24	\$7,537
Donations	0	1,552	1,552
Total Revenue	\$7,513	\$1,576	\$9,089
<u>EXPENDITURES</u>			
Scholarships	2,000	0	2,000
<u>CHANGE IN NET ASSETS</u>	\$5,513	\$1,576	\$7,089
<u>NET ASSETS - BEGINNING OF YEAR</u>	110,635	4,105	114,740
<u>NET ASSETS - END OF YEAR</u>	\$116,148	\$5,681	\$121,829

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
FIDUCIARY- NONEXPENDABLE TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Received	\$7,513
Scholarships	<u>(2,000)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	\$5,513
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>110,635</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$116,148</u>

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,158,181	\$1,058,153	\$1,212,556	\$154,403
State Sources	5,885,030	6,085,402	6,085,836	434
Federal Sources	375,996	373,576	367,978	(5,598)
Total Revenues	<u>\$7,419,207</u>	<u>\$7,517,131</u>	<u>\$7,666,370</u>	<u>\$149,239</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	4,893,294	4,772,304	4,842,426	(70,122)
Student Services	380,304	559,525	555,120	4,405
Instructional Support	69,648	79,123	84,146	(5,023)
General Administration	386,758	265,912	274,430	(8,518)
School Administration	654,241	636,975	642,440	(5,465)
Business Administration	5,043	131,569	167,400	(35,831)
Operation & Maintenance of Plant	598,174	625,654	665,091	(39,437)
Transportation	234,031	321,537	328,816	(7,279)
Support Services - Other	44,939	51,534	73,617	(22,083)
Total Expenditures	<u>\$7,266,432</u>	<u>\$7,444,133</u>	<u>\$7,633,486</u>	<u>(\$189,353)</u>
Excess of Revenues Over Expenditures	<u>\$152,775</u>	<u>\$72,998</u>	<u>\$32,884</u>	<u>(\$40,114)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(152,265)</u>	<u>(114,953)</u>	<u>(199,113)</u>	<u>(84,160)</u>
Net Change in Fund Balance	<u>\$510</u>	<u>(\$41,955)</u>	<u>(\$166,229)</u>	<u>(\$124,274)</u>
<u>FUND BALANCE - BEGINNING</u>			<u>434,546</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$268,317</u>	

See accompanying notes to the basic financial statements.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bentley Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

The Capital Projects Funds are used to account for the acquisition and construction of major facilities by the School District. The Capital Projects Sinking Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

Expendable Trust Funds – The expendable trust funds consists of the following funds:

Chris Anderson Memorial Scholarship Fund – This fund is used to account for funds entrusted to the School District for scholarship awards.

Harry C. Hewig Fund – This fund is used to account for funds entrusted to the School District to provide short-term loans for professional staff development.

Nonexpendable Trust Fund – Sophia L. Waldbauer Scholarship Fund is a nonexpendable trust fund used to account for funds entrusted to the School District for scholarship awards.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) COMPENSATED ABSENCES

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2006, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	Portfolio %
MILAF External Investment Pool - MIMAX	\$ 4,850	0.0027	AAAm	100.00%
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

4) DEPOSITS AND INVESTMENTS (Continued)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$2,285,541 of the District's bank balance of \$2,855,312 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$272,426	\$ 2,684,935
Investments	<u>4,850</u>
<u>TOTAL</u>	<u>\$ 2,689,785</u>

The above amounts are reported in the financial statements as follows:

Cash – Agency Fund	\$ 272,426
Cash – District Wide	2,412,509
Investments – District Wide	<u>4,850</u>
<u>TOTAL</u>	<u>\$ 2,689,785</u>

5) PROPERTY TAXES

The School District levies winter and summer property taxes and various municipalities collect its property taxes and remit them to the District. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,096,889
Federal Grants	17,867
Other Grant Programs & Fees	121,445
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,236,201</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006 the School District had estimated claims payable of \$9,367 in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,450,000 at 3.15% per annum on September 1, 2005, from Citizens Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note was repaid September 1, 2006.

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
State Aid Note	<u>\$1,450,000</u>	<u>\$1,450,000</u>	<u>\$1,450,000</u>	<u>\$1,450,000</u>

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,938,605	\$0	\$0	\$3,938,605
Land Improvements	1,686,518	0	0	1,686,518
Equipment and Furniture	205,004	0	0	205,004
Vehicles	395,629	0	0	395,629
Totals at Historical Cost	<u>\$6,225,756</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,225,756</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(2,726,858)	(80,387)	0	(2,807,245)
Land Improvements	(1,557,923)	(13,493)	0	(1,571,416)
Equipment and Furniture	(150,130)	(10,973)	0	(161,103)
Vehicles	(373,029)	(13,854)	0	(386,883)
Total Accumulated Depreciation	<u>(\$4,807,940)</u>	<u>(\$118,707)</u>	<u>\$0</u>	<u>(\$4,926,647)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,417,816</u>	<u>(\$118,707)</u>	<u>\$0</u>	<u>\$1,299,109</u>

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

9) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 4,731
Support Services	15,466
Athletics	7,677
Unallocated	<u>90,833</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 118,707</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2006 were \$89,220 and the School District received a dividend refund of \$13,029.

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Bentley Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$149,883 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2006 was \$123,089.

B) 2004 General Obligation School Building and Site Bonds

Bentley Community Schools has issued General Obligation Bonds dated August 1, 2004 in the amount of \$4,600,000, for the purpose of remodeling, furnishing and equipping school buildings; acquiring, installing and equipping technology for school buildings; developing and improving sites; and erecting a multi-purpose room addition to Barhitte Elementary School. The bonds mature serially through May 1, 2030, at varying principal amounts. Interest rates on the bonds range from 3.40% to 4.75% per annum. The balance of the bonds at June 30, 2006, was \$4,555,000.

C) 2006 General Obligation School Building and Site Bonds

Bentley Community Schools has issued School Bus Bonds dated June 28, 2006 in the amount of \$570,000. The bonds mature serially through May 1, 2013, at varying principal amounts. Interest rates on the bonds are 4.05% per annum. The balance of the bonds at June 30, 2006, was \$570,000.

D) Retirement Incentive

During the 2005-2006 school year, five teachers agreed to a retirement incentive plan. This plan will pay three installments of \$10,000 beginning July 1, 2006 and continue on each July 1st until paid. The balance at June 30, 2006 is \$100,000.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

11) GENERAL LONG-TERM DEBT (Continued)

E) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2006 are as follows:

	Bonds Payable	Interest	Total
June 30, 2007	\$145,568	\$219,495	\$365,063
June 30, 2008	213,722	232,695	446,417
June 30, 2009	191,602	209,245	400,847
June 30, 2010	207,153	202,020	409,173
June 30, 2011	222,732	194,260	416,992
June 30, 2012-2016	927,312	851,698	1,779,010
June 30, 2017-2021	950,000	680,885	1,630,885
June 30, 2022-2026	1,210,000	453,152	1,663,152
June 30, 2027-2030	1,180,000	142,975	1,322,975
<u>TOTAL</u>	<u>\$5,248,089</u>	<u>\$3,186,425</u>	<u>\$8,434,514</u>

The payment dates of sick and longevity days payable is undeterminable. The interest expenditures on long-term obligations for the year ended June 30, 2006, was \$200,344.

F) Changes in General Long-Term Debt

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Amount Due in One Year
<u>Governmental Activities:</u>					
Durant Bonds	\$133,179	\$0	\$10,090	\$123,089	\$10,568
General Obligation Bonds	4,600,000	570,000	45,000	5,125,000	135,000
Retirement Incentive	0	150,000	50,000	100,000	50,000
Compensated Absences	22,691	0	91	22,600	0
<u>Total Governmental Activities</u>	<u>\$4,755,870</u>	<u>\$720,000</u>	<u>\$105,181</u>	<u>\$5,370,689</u>	<u>\$195,568</u>

12) OPERATING LEASES

The District currently leases buses, and copier machines. The minimum monthly payments and maturity dates are as follows:

	<u>MONTHLY PAYMENT</u>	<u>MATURITY DATE</u>
Bluebird Lease – Buses	\$ 3,991	October 1, 2006
Xerox Lease – Copiers	3,072	November, 2010

The future minimum payments are as follows:

2007	\$ 52,844
2008	36,861
2009	36,861
2010	15,359
<u>TOTAL</u>	<u>\$ 141,925</u>

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2006 consisted of the following:

DUE TO	DUE FROM		
	2004 Debt Retirement	2000 Capital Projects	Total
General Fund	\$0	2,173	2,173
2004 Capital Projects	12,510	0	12,510
<u>TOTAL</u>	<u>\$12,510</u>	<u>\$2,173</u>	<u>\$14,683</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
	General Fund	
Special Revenue Fund	\$244,994	

These transfers were made to subsidize the cost of services for food service and athletics.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2006, 2005, and 2004 were \$735,503, \$692,539 and \$659,016, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

BENTLEY COMMUNITY SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

17) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which are Title I the Special Education grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2006, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENTS

The District has approved borrowing \$1,000,000 at 3.68% on a State Aid Anticipation Note to meet cash flow needs for the 2006-2007 fiscal year. The Bonds will be issued August 18, 2006.

The District has a remaining construction commitment on its 2004 Capital Projects Fund in the amount of \$449,415 at June 30, 2006.

OTHER SUPPLEMENTAL
INFORMATION

BENTLEY COMMUNITY SCHOOLS
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	Special Revenue Funds	Debt Retirement Funds	2000 Sinking Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$0	\$169,771	\$112,894	\$282,665
Accounts Receivable	225	0	0	225
Due from Other Funds	0	12,510	2,173	14,683
Due From Other Governmental Units	2,275	0	0	2,275
Inventory	3,876	0	0	3,876
Prepaid Expenses	4,335	0	0	4,335
<u>TOTAL ASSETS</u>	<u>\$10,711</u>	<u>\$182,281</u>	<u>\$115,067</u>	<u>\$308,059</u>
<u>LIABILITIES</u>				
Accounts Payable	\$9,962	\$1,732	\$2,511	\$14,205
Accrued Expenses	145	0	0	145
Salaries Payable	604	0	0	604
Total Liabilities	\$10,711	\$1,732	\$2,511	\$14,954
<u>FUND BALANCES</u>				
Reserved For:				
Debt Retirement	0	180,549	0	180,549
Capital Projects	0	0	112,556	112,556
Total Fund Balances	\$0	\$180,549	\$112,556	\$293,105
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$10,711</u>	<u>\$182,281</u>	<u>\$115,067</u>	<u>\$308,059</u>

BENTLEY COMMUNITY SCHOOLS
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Debt Retirement Funds	2000 Sinking Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$207,102	\$276,295	\$670	\$484,067
State Sources	25,034	14,639	0	39,673
Federal Sources	143,747	0	0	143,747
Total Revenues	<u>\$375,883</u>	<u>\$290,934</u>	<u>\$670</u>	<u>\$667,487</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Other Transfers	0	(1,732)	(2,511)	(4,243)
Transfers from Other Funds	244,994	0	0	244,994
Total Other Financing Sources (Uses)	<u>\$244,994</u>	<u>(\$1,732)</u>	<u>(\$2,511)</u>	<u>\$240,751</u>
Total Revenues & Other Financing Sources	<u>\$620,877</u>	<u>\$289,202</u>	<u>(\$1,841)</u>	<u>\$908,238</u>
<u>EXPENDITURES</u>				
Special Revenue	620,877	0	0	620,877
Debt Retirement	0	255,449	0	255,449
Capital Projects				
Capital Outlay	0	0	3,137	3,137
Total Expenditures	<u>\$620,877</u>	<u>\$255,449</u>	<u>\$3,137</u>	<u>\$879,463</u>
Net Change in Fund Balance	\$0	\$33,753	(\$4,978)	\$28,775
<u>NET ASSETS - BEGINNING</u>	<u>0</u>	<u>146,796</u>	<u>117,534</u>	<u>264,330</u>
<u>NET ASSETS - ENDING</u>	<u>\$0</u>	<u>\$180,549</u>	<u>\$112,556</u>	<u>\$293,105</u>

BENTLEY COMMUNITY SCHOOLS
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	<u>Food Service</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Accounts Receivable	\$0	\$225	\$225
Due From Other Governmental Units	2,275	0	2,275
Inventory	3,876	0	3,876
Prepaid Expenses	1,360	2,975	4,335
<u>TOTAL ASSETS</u>	<u>\$7,511</u>	<u>\$3,200</u>	<u>\$10,711</u>
<u>LIABILITIES</u>			
Accounts Payable	\$7,511	\$2,451	\$9,962
Accrued Expenses	0	145	145
Salaries Payable	0	604	604
<u>TOTAL LIABILITIES</u>	<u>\$7,511</u>	<u>\$3,200</u>	<u>\$10,711</u>

BENTLEY COMMUNITY SCHOOLS
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Food Service</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$155,300	\$0	\$155,300
Athletic Activities	0	40,052	40,052
Interest	504	353	857
Other Local Sources	2,519	8,374	10,893
Total Local Sources	<u>\$158,323</u>	<u>\$48,779</u>	<u>\$207,102</u>
<u>State Sources</u>			
State Reimbursements	25,034	0	25,034
<u>Federal Sources</u>			
Federal Reimbursements	124,494	0	124,494
Commodities	19,253	0	19,253
Total Federal Sources	<u>\$143,747</u>	<u>\$0</u>	<u>\$143,747</u>
Total Revenues	<u>\$327,104</u>	<u>\$48,779</u>	<u>\$375,883</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	27,119	217,875	244,994
Total Revenues and Other Financing Sources	<u>\$354,223</u>	<u>\$266,654</u>	<u>\$620,877</u>
<u>EXPENDITURES</u>			
Salaries - Professional	0	51,305	51,305
Salaries - Non-Professional	100,683	113,594	214,277
Insurances	37,105	25,964	63,069
Fica, Retirement, Etc.	26,640	38,288	64,928
Other Benefits	4,050	0	4,050
Purchased Services	6,397	25,469	31,866
Supplies and Materials	178,901	4,330	183,231
Capital Outlay	447	1,510	1,957
Other	0	6,194	6,194
Total Expenditures	<u>\$354,223</u>	<u>\$266,654</u>	<u>\$620,877</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

BENTLEY COMMUNITY SCHOOLS
DEBT RETIREMENT FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	<u>2004</u> <u>Debt</u>	<u>Durant</u> <u>Debt</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$169,771	\$0	\$169,771
Due from Other Funds	<u>12,510</u>	<u>0</u>	<u>12,510</u>
<u>TOTAL ASSETS</u>	<u>\$182,281</u>	<u>\$0</u>	<u>\$182,281</u>
<u>LIABILITIES</u>			
Accounts Payable	\$1,732	\$0	\$1,732
<u>FUND BALANCE</u>			
Restricted - Debt Retirement	<u>180,549</u>	<u>0</u>	<u>180,549</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$182,281</u>	<u>\$0</u>	<u>\$182,281</u>

BENTLEY COMMUNITY SCHOOLS
DEBT RETIREMENT FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	<u>2004</u> <u>Debt</u>	<u>Durant</u> <u>Debt</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$274,951	\$0	\$274,951
Interest	1,344	0	1,344
Total Local Sources	<u>\$276,295</u>	<u>\$0</u>	<u>\$276,295</u>
<u>State Sources</u>			
State Reimbursements	<u>0</u>	<u>14,639</u>	<u>14,639</u>
Total Revenues	<u>\$276,295</u>	<u>\$14,639</u>	<u>\$290,934</u>
<u>EXPENDITURES</u>			
Principal	45,000	10,090	55,090
Interest	195,795	4,549	200,344
Other	15	0	15
Total Expenditures	<u>\$240,810</u>	<u>\$14,639</u>	<u>\$255,449</u>
<u>OTHER FINANCING USES</u>			
Other Transfers	<u>1,732</u>	<u>0</u>	<u>1,732</u>
Total Expenditures and Other Financing Uses	<u>\$242,542</u>	<u>\$14,639</u>	<u>\$257,181</u>
<u>EXCESS REVENUES OVER (UNDER)</u> <u>EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$33,753</u>	<u>\$0</u>	<u>\$33,753</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$146,796</u>	<u>\$0</u>	<u>\$146,796</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$180,549</u>	<u>\$0</u>	<u>\$180,549</u>

BENTLEY COMMUNITY SCHOOLS
TRUST AND AGENCY
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2006

	PRIVATE PURPOSE TRUSTS			AGENCY	TOTAL
	Nonexpendable	Expendable			
	Trust - Sophia L. Waldbauer Scholarship Fund	Chris Anderson Memorial Scholarship Fund	Harry C. Hewig Fund	Student Activities Fund	
<u>ASSETS</u>					
Cash and Cash Equivalents	\$116,148	\$922	\$4,759	\$150,597	\$272,426
<u>TOTAL ASSETS</u>	<u>\$116,148</u>	<u>\$922</u>	<u>\$4,759</u>	<u>\$150,597</u>	<u>\$272,426</u>
<u>LIABILITIES</u>					
Due to Student Groups	\$0	\$0	\$0	\$150,597	\$150,597
Due to Other Funds	0	0	0		0
Total Liabilities	\$0	\$0	\$0	\$150,597	\$150,597
<u>FUND EQUITY</u>					
Restricted for Scholarships	99,228	0	0	0	99,228
Unreserved					
Designated for Staff Education	0	0	4,759	0	4,759
Designated for Scholarships	16,920	922	0	0	17,842
Total Fund Equity	\$116,148	\$922	\$4,759	\$0	\$121,829
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$116,148</u>	<u>\$922</u>	<u>\$4,759</u>	<u>\$150,597</u>	<u>\$272,426</u>

BENTLEY COMMUNITY SCHOOLS
PRIVATE PURPOSE TRUSTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	PRIVATE PURPOSE TRUSTS			
	Nonexpendable	Expendable		
	Trust - Sophia L. Waldbauer Scholarship Fund	Chris Anderson Memorial Scholarship Fund	Harry C. Hewig Fund	TOTAL
<u>REVENUE</u>				
<u>Local Sources</u>				
Interest on Investments	\$7,513	\$5	\$19	\$7,537
Donations	0	0	1,552	1,552
Total Revenue	\$7,513	\$5	\$1,571	\$9,089
<u>EXPENDITURES</u>				
Scholarships	2,000	0	0	2,000
<u>EXCESS REVENUES OVER</u> <u>EXPENDITURES</u>	\$5,513	\$5	\$1,571	\$7,089
<u>FUND BALANCE - BEGINNING OF YEAR</u>	110,635	917	3,188	114,740
<u>FUND BALANCE - END OF YEAR</u>	\$116,148	\$922	\$4,759	\$121,829

INDIVIDUAL FUND SCHEDULES

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2006

REVENUESLocal Sources:

Property Tax Levy	\$1,012,447
Summer School	4,750
Tuition	10
Medicaid	16,007
Earnings on Investments	30,535
Donations	46,830
Other Local Revenue	101,977
Total Local Sources	<u>\$1,212,556</u>

State Sources:

State Aid	5,587,275
At Risk	133,000
Special Education	238,038
Durant	20,846
MI School Readiness	59,400
Other State Grant	47,277
Total State Sources	<u>\$6,085,836</u>

Federal Sources:

I.D.E.A.	205,278
Improving Teacher Quality	52,727
Other Grants from ISD	796
Medicaid	4,551
Technology Literacy	1,909
Title I	102,323
Title V	394
Total Federal Sources	<u>\$367,978</u>
Total Revenues	<u>\$7,666,370</u>

OTHER FINANCING SOURCES

Transfers from Other Governmental Units	61,384
Other Transfers	60,033
County Special Education Tax	64,134
Total Other Financing Sources	<u>\$185,551</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$7,851,921

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$746,117
Salaries - Non-Professional	35,207
Insurances	175,765
Fica, Retirement, Etc.	188,446
Other Benefits	14,800
Purchased Services	9,485
Supplies & Materials	27,837
Capital Outlay	3,023
Other	216
Total Elementary	<u>\$1,200,896</u>

Junior High School

Salaries - Professional	884,276
Salaries - Non-Professional	32,786
Insurances	184,335
Fica, Retirement, Etc.	228,370
Other Benefits	23,800
Purchased Services	15,774
Supplies & Materials	15,137
Other	340
Total Junior High School	<u>\$1,384,818</u>

High School

Salaries - Professional	727,164
Salaries - Non-Professional	51,819
Insurances	212,454
Fica, Retirement, Etc.	191,125
Other Benefits	32,748
Purchased Services	41,188
Supplies & Materials	22,594
Capital Outlay	22,831
Other	1,785
Total High School	<u>\$1,303,708</u>

Preschool

Salaries - Professional	36,857
Salaries - Non-Professional	10,678
Insurances	7,629
Fica, Retirement, Etc.	11,023
Purchased Services	120
Supplies & Materials	3,274
Total Preschool	<u>\$69,581</u>

Total Basic Programs

\$3,959,003

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTION (Continued)

ADDED NEEDS

Special Education

Salaries - Professional	\$430,161
Salaries - Non-Professional	68,236
Insurances	106,940
Fica, Retirement, Etc.	119,212
Other Benefits	4,670
Purchased Services	14,932
Supplies & Materials	10,893
Other	215
Total Special Education	<u>\$755,259</u>

Compensatory Education

Salaries - Professional	46,632
Salaries - Non-Professional	44,615
Insurances	15,259
Fica, Retirement, Etc.	21,658
Total Compensatory Education	<u>\$128,164</u>

<u>Total Added Needs</u>	<u>\$883,423</u>
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Total Instruction	\$4,842,426
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SUPPORT SERVICES

Student Services

Salaries - Professional	317,235
Salaries - Non-Professional	39,897
Insurances	84,410
Fica, Retirement, Etc.	91,622
Other Benefits	2,400
Purchased Services	7,132
Supplies & Materials	12,348
Capital Outlay	76
Total Student Services	<u>\$555,120</u>

Instructional Staff

Salaries - Non-Professional	48,874
Fica, Retirement, Etc.	11,678
Purchased Services	3,712
Supplies & Materials	6,952
Capital Outlay	12,305
Other	625
Total Instructional Staff	<u>\$84,146</u>

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES (Continued)General Administration

Salaries - Professional	\$102,996
Salaries - Non-Professional	39,792
Insurances	18,409
Fica, Retirement, Etc.	33,702
Other Benefits	4,600
Purchased Services	58,104
Supplies & Materials	7,614
Capital Outlay	279
Other	8,934
Total General Administration	<u>\$274,430</u>

School Administration

Salaries - Professional	275,731
Salaries - Non-Professional	147,279
Insurances	106,673
Fica, Retirement, Etc.	98,333
Other Benefits	3,522
Purchased Services	7,790
Supplies & Materials	3,082
Other	30
Total School Administration	<u>\$642,440</u>

Business Administration

Salaries - Professional	37,550
Salaries - Non-Professional	30,928
Insurances	14,128
Fica, Retirement, Etc.	15,974
Other Benefits	1,440
Purchased Services	18,750
Other	48,630
Total Business Administration	<u>\$167,400</u>

Operation & Maintenance of Plant

Salaries - Non-Professional	192,329
Insurances	26,453
Fica, Retirement, Etc.	71,503
Other Benefits	6,000
Purchased Services	109,681
Supplies & Materials	256,723
Capital Outlay	2,402
Total Operation & Maintenance	<u>\$665,091</u>

BENTLEY COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES (Continued)
Transportation Services

Salaries - Non-Professional	\$84,257
Insurances	62,226
Fica, Retirement, Etc.	38,043
Other Benefits	1,500
Purchased Services	59,953
Supplies & Materials	34,312
Capital Outlay	47,890
Other	635
Total Transportation Services	<u>\$328,816</u>

Other Support Services

Salaries - Non-Professional	24,046
Insurances	277
Fica, Retirement, Etc.	4,721
Purchased Services	32,452
Supplies & Materials	9,773
Capital Outlay	2,348
Total Other Support Services	<u>\$73,617</u>

Total Support Services	<u>\$2,791,060</u>
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<u>Total Expenditures</u>	\$7,633,486
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OTHER FINANCING USES

Transfers to Other Funds	244,994
Other Transfers	65,797
Transfers to Other Districts	69,402
Payments and Interest on Debt	4,471
Total Other Financing Uses	<u>\$384,664</u>

TOTAL EXPENDITURES AND
OTHER FINANCING USES
\$8,018,150

BENTLEY COMMUNITY SCHOOLS
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2005	Receipts	Disbursements	Due to (From) Student Groups June 30, 2006
Adopt-A-Wall	\$21	\$0	\$0	\$21
Art Fees - Sr. High	(30)	5,036	4,370	636
Athletic Office	4,217	3,119	998	6,338
Athletic Resale	1,181	0	0	1,181
Band Account	639	6,620	5,956	1,303
Barhitte Activities	11,840	22,591	26,338	8,093
Barhitte Library	524	11	0	535
Barhitte Office	7,457	16,924	13,459	10,922
Barhitte Scholarship	863	37	600	300
Barhitte Trip	5,049	9,887	12,024	2,912
Baseball - Sr High	954	1,208	1,965	197
Basketball - Boys Varsity	(122)	165	0	43
Basketball - Girls	11,231	26,581	30,239	7,573
Basketball - Girls - 7th & 8th	821	0	0	821
Bentley Skeet Club	110	2,209	1,192	1,127
Booster Fund Raiser	5,228	1,048	5,584	692
Cedar Point Trip	516	6,973	7,261	228
Cheerleaders - Jr High	277	4,172	5,368	(919)
Cheerleaders - JV	170	0	0	170
Cheerleaders - Varsity	457	3,167	3,388	236
Class of 1996	802	0	0	802
Class of 2001	1,642	1,642	1,642	1,642
Class of 2002	664	664	664	664
Class of 2003	(410)	410	410	(410)
Class of 2004	(144)	144	144	(144)
Class of 2005	2,771	1,938	2,771	1,938
Class of 2006	(896)	6,650	5,298	456
Class of 2007	33	17,215	17,618	(370)
Class of 2008	(950)	2,527	808	769
Class of 2009	175	363	0	538
Class of 2010	0	630	409	221
Close Up	1,386	13,205	14,827	(236)
Drama - Sr High	5,251	9,904	8,368	6,787
Environmental Club	281	361	185	457
Faculty - Jr. High	6,616	2,155	4,538	4,233
Field Trip - Jr. High	946	226	285	887
French Club	492	0	0	492
<u>Subtotal</u>	<u>\$70,062</u>	<u>\$167,782</u>	<u>\$176,709</u>	<u>\$61,135</u>

BENTLEY COMMUNITY SCHOOLS
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

STUDENT ACTIVITY	Due to (From) Student Groups July 1, 2005	Receipts	Disbursements	Due to (From) Student Groups June 30, 2006
Golf Account	\$355	\$440	\$0	\$795
Guidance - Sr. High	49	122	132	39
Honor Society - Sr. High	227	1,248	1,013	462
Honors Club - Jr. High	2,508	11,147	10,482	3,173
Jet League - Jr. High	0	500	0	500
Knights of Columbus	1,035	387	244	1,178
Library - Jr. High	959	2,990	2,695	1,254
Library - Sr. High	655	0	0	655
Office Acct - Sr. High	11,894	7,558	11,250	8,202
Pickler Scholarship	0	0	500	(500)
PRIDE Account	809	0	504	305
Project GROW	78	0	49	29
Retirement	49,800	0	0	49,800
Ruth Mott Courtyard	0	56,500	56,500	0
Sadd Club - Sr. High	379	4,851	5,259	(29)
School Store - Jr. High	1,951	0	0	1,951
School Supplies - Jr. High	650	150	488	312
Science Club - Sr. High	(2,250)	7,904	4,081	1,573
Skip Atherton/Bentley	210	0	0	210
Sloan Grant	604	0	0	604
Softball Account	256	932	784	404
Sports Club - Sr. High	0	6,848	5,515	1,333
Student Council - Sr. High	901	5,520	3,758	2,663
Student Govt - Jr. High	(372)	0	79	(451)
Suspense	(5,013)	107	1,707	(6,613)
T & A Interest	1,329	1,282	2,611	0
T/A Account - Jr. High	484	13,679	3,655	10,508
Track Club - Sr. High	16	5,949	4,302	1,663
Volleyball - Jr. High	43	0	43	0
Volleyball Account	456	7,786	4,801	3,441
Wrestling - Jr. High	182	0	0	182
Wrestling - Sr. High	0	530	0	530
Yearbook - Sr. High	680	14,162	16,684	(1,842)
Young Readers Book Club	1,999	5,132	0	7,131
<u>TOTALS</u>	<u>\$140,936</u>	<u>\$323,506</u>	<u>\$313,845</u>	<u>\$150,597</u>

BENTLEY COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

DATE OF ISSUE - November 24, 1998 Original amount of issue - \$208,460

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2007	\$4,068	4.761353%	\$10,568	\$14,636
2008	20,358	4.761353%	48,722	69,080
2009	3,038	4.761353%	11,602	14,640
2010	2,485	4.761353%	12,153	14,638
2011	1,907	4.761353%	12,732	14,639
2012	1,300	4.761353%	13,338	14,638
2013	665	4.761353%	13,974	14,639
<u>TOTAL</u>	<u>\$33,821</u>		<u>\$123,089</u>	<u>\$156,910</u>

DATE OF ISSUE - August 1, 2004 Original amount of issue - \$4,600,000

2004 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$97,132	\$97,133	3.400%	\$70,000	\$264,265
2007-2008	95,942	95,943	3.400%	85,000	276,885
2008-2009	94,498	94,497	3.400%	95,000	283,995
2009-2010	92,883	92,882	3.400%	110,000	295,765
2010-2011	91,013	91,012	3.400%	125,000	307,025
2011-2012	88,888	88,887	3.450%	130,000	307,775
2012-2013	86,645	86,645	3.500%	140,000	313,290
2013-2014	84,160	84,160	3.700%	145,000	313,320
2014-2015	81,478	81,477	3.800%	155,000	317,955
2015-2016	78,532	78,533	3.900%	160,000	317,065
2016-2017	75,412	75,413	4.000%	170,000	320,825
2017-2018	72,013	72,012	4.050%	180,000	324,025
2018-2019	68,367	68,368	4.150%	190,000	326,735
2019-2020	64,425	64,425	4.200%	200,000	328,850
2020-2021	60,225	60,225	4.300%	210,000	330,450
2021-2022	55,710	55,710	4.400%	220,000	331,420
2022-2023	50,870	50,870	4.500%	230,000	331,740
2023-2024	45,695	45,695	4.650%	240,000	331,390
2024-2025	40,115	40,115	4.650%	255,000	335,230
2025-2026	34,186	34,186	4.650%	265,000	333,372
2026-2027	28,025	28,025	4.750%	275,000	331,050
2027-2028	21,494	21,494	4.750%	290,000	332,988
2028-2029	14,606	14,606	4.750%	305,000	334,212
2029-2030	7,362	7,363	4.750%	310,000	324,725
<u>TOTAL</u>	<u>\$1,529,676</u>	<u>\$1,529,676</u>		<u>\$4,555,000</u>	<u>\$7,614,352</u>

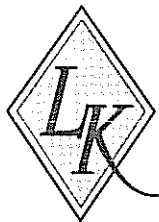
BENTLEY COMMUNITY SCHOOLS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2006

DATE OF ISSUE - June 28, 2006

Original amount of issue - \$570,000

2006 SCHOOL BUS BONDS

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$9,619	\$11,543	4.050%	\$65,000	\$86,162
2007-2008	10,226	10,226	4.050%	80,000	100,452
2008-2009	8,606	8,606	4.050%	85,000	102,212
2009-2010	6,885	6,885	4.050%	85,000	98,770
2010-2011	5,164	5,164	4.050%	85,000	95,328
2011-2012	3,443	3,443	4.050%	85,000	91,886
2012-2013	1,721	1,721	4.050%	85,000	88,442
<u>TOTAL</u>	<u>\$45,664</u>	<u>\$47,588</u>		<u>\$570,000</u>	<u>\$663,252</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

October 11, 2006

To the Board of Education of
Bentley Community Schools

In planning and performing our audit of the financial statements of Bentley Community Schools for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Bentley Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, Bentley Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Trust and Agency Accounts

At June 30, 2006, several of the Activity Accounts had deficit balances. Activity accounts are only permitted to expend the funds they have taken in. They are not allowed to borrow from other activities thus creating a deficit balance. Trust and agency bank reconciliations should be done timely and all groups should receive adequate accounting records to verify the accuracy of their account balances.

FUTURE ISSUES

1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)



Bentley Community Schools

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October 11, 2006

FUTURE ISSUES (Continued)

- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.
- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.

2. GASB Statement No. 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Bentley Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.



Bentley Community Schools

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October 11, 2006

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Bentley Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf PC
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS